

DELAWARE NATURE SOCIETY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

DELAWARE NATURE SOCIETY, INC.
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Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors
Delaware Nature Society, Inc.

We have audited the accompanying financial statements of Delaware Nature Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Delaware Nature Society, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Nature Society, Inc. as of December 31, 2020 and 2019, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Belfint, Lyons & Shuman, P.A.

June 5, 2021
Wilmington, Delaware

DELAWARE NATURE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 888,605	\$ 719,266
Accounts Receivable, Net	126,795	147,714
Contributions and Grants Receivable, Net	160,500	1,158,441
Prepaid Expenses	48,028	40,737
Investments - Endowment	23,279,833	20,769,552
Investments - Other	358,400	719,692
Property and Equipment, Net	24,382,220	23,976,010
TOTAL ASSETS	\$ 49,244,381	\$ 47,531,412

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 192,615	\$ 73,258
Capital Lease Obligations	7,638	16,687
Deferred Revenue	16,741	17,594

TOTAL LIABILITIES

	216,994	107,539
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NET ASSETS

Without Donor Restrictions	17,273,307	15,898,153
With Donor Restrictions	31,754,080	31,525,720

TOTAL NET ASSETS

	49,027,387	47,423,873
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TOTAL LIABILITIES AND NET ASSETS

	\$ 49,244,381	\$ 47,531,412
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The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT FROM OPERATIONS			
Memberships	\$ 15,859	\$ -	\$ 15,859
Contributions	508,028	46,535	554,563
Grants	548,058	410,763	958,821
Contract Revenue	540,919	-	540,919
Fees, Admissions, Tuition	407,184	-	407,184
Special Events	89,663	-	89,663
Other Income	73,138	-	73,138
	<u>2,182,849</u>	<u>457,298</u>	<u>2,640,147</u>
RELEASE OF RESTRICTIONS			
Appropriation of Endowment Assets for Expenditure	489,434	(489,434)	-
Satisfaction of Donor Restrictions	1,510,253	(1,510,253)	-
	<u>1,999,687</u>	<u>(1,999,687)</u>	<u>-</u>
TOTAL SUPPORT FROM OPERATIONS	<u>4,182,536</u>	<u>(1,542,389)</u>	<u>2,640,147</u>
EXPENSES			
Program Services			
Education	1,773,965	-	1,773,965
Preservation and Conservation	624,750	-	624,750
Land and Biodiversity Management	946,489	-	946,489
Total Program Services	<u>3,345,204</u>	<u>-</u>	<u>3,345,204</u>
Support Services			
Management and General	321,263	-	321,263
Fundraising	258,700	-	258,700
Total Support Services	<u>579,963</u>	<u>-</u>	<u>579,963</u>
TOTAL EXPENSES	<u>3,925,167</u>	<u>-</u>	<u>3,925,167</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>257,369</u>	<u>(1,542,389)</u>	<u>(1,285,020)</u>
OTHER SUPPORT AND REVENUE			
Investment Income, Net of Fees	172,574	381,408	553,982
Net Gains on Investments	945,211	1,389,341	2,334,552
TOTAL OTHER SUPPORT AND REVENUE	<u>1,117,785</u>	<u>1,770,749</u>	<u>2,888,534</u>
CHANGES IN NET ASSETS	1,375,154	228,360	1,603,514
NET ASSETS - Beginning of Year	<u>15,898,153</u>	<u>31,525,720</u>	<u>47,423,873</u>
NET ASSETS - End of Year	<u>\$ 17,273,307</u>	<u>\$ 31,754,080</u>	<u>\$ 49,027,387</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT FROM OPERATIONS			
Memberships	\$ 23,070	\$ -	\$ 23,070
Contributions	444,308	83,819	528,127
Grants	101,662	1,545,471	1,647,133
Contract Revenue	457,806	-	457,806
Fees, Admissions, Tuition	786,868	-	786,868
Special Events	221,136	-	221,136
Other Income	106,572	-	106,572
	<u>2,141,422</u>	<u>1,629,290</u>	<u>3,770,712</u>
RELEASE OF RESTRICTIONS			
Appropriation of Endowment Assets for Expenditure	470,109	(470,109)	-
Satisfaction of Donor Restrictions	1,103,707	(1,103,707)	-
	<u>1,573,816</u>	<u>(1,573,816)</u>	<u>-</u>
TOTAL SUPPORT FROM OPERATIONS	<u>3,715,238</u>	<u>55,474</u>	<u>3,770,712</u>
EXPENSES			
Program Services			
Education	1,922,997	-	1,922,997
Preservation and Conservation	691,762	-	691,762
Land and Biodiversity Management	913,399	-	913,399
Total Program Services	<u>3,528,158</u>	<u>-</u>	<u>3,528,158</u>
Support Services			
Management and General	368,547	-	368,547
Fundraising	349,580	-	349,580
Total Support Services	<u>718,127</u>	<u>-</u>	<u>718,127</u>
TOTAL EXPENSES	<u>4,246,285</u>	<u>-</u>	<u>4,246,285</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(531,047)</u>	<u>55,474</u>	<u>(475,573)</u>
OTHER SUPPORT AND REVENUE			
Investment Income, Net of Fees	173,378	354,777	528,155
Net Gains on Investments	1,034,865	2,131,400	3,166,265
TOTAL OTHER SUPPORT AND REVENUE	<u>1,208,243</u>	<u>2,486,177</u>	<u>3,694,420</u>
CHANGES IN NET ASSETS	<u>677,196</u>	<u>2,541,651</u>	<u>3,218,847</u>
NET ASSETS - Beginning of Year	<u>15,220,957</u>	<u>28,984,069</u>	<u>44,205,026</u>
NET ASSETS - End of Year	<u>\$ 15,898,153</u>	<u>\$ 31,525,720</u>	<u>\$ 47,423,873</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Preservation and Conservation</u>	<u>Land and Biodiversity</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PAYROLL AND RELATED EXPENSES							
Salaries	\$ 934,369	\$ 305,161	\$ 371,854	\$ 1,611,384	\$ 179,718	\$ 158,548	\$ 1,949,650
Payroll Taxes	69,336	22,645	27,734	119,715	13,404	11,557	144,676
Employee Benefits	122,899	42,347	52,714	217,960	19,566	17,217	254,743
TOTAL PAYROLL AND RELATED EXPENSES	1,126,604	370,153	452,302	1,949,059	212,688	187,322	2,349,069
EXPENSES							
Bank and Merchant Fees	36,715	-	-	36,715	-	-	36,715
Contributions and Assistance	6,002	75,974	-	81,976	-	-	81,976
Depreciation	203,279	19,034	142,186	364,499	4,749	3,059	372,307
Dues and Licenses	1,333	106	614	2,053	1,552	37	3,642
Facility Maintenance and Repair	101,084	9,388	73,165	183,637	3,367	1,508	188,512
Insurance	52,928	7,102	37,021	97,051	1,236	796	99,083
Major Trip Expenses	706	-	-	706	-	-	706
Marketing and Communications	24,502	6,309	-	30,811	3,063	6,558	40,432
Office Equipment	24,610	9,201	9,662	43,473	11,967	5,533	60,973
Office Supplies	1,709	145	96	1,950	4,545	3,519	10,014
Postage and Delivery	-	-	-	-	3,716	12,535	16,251
Professional Services	31,613	14,413	81,380	127,406	67,013	7,380	201,799
Rent Expense	21,200	-	-	21,200	502	-	21,702
Supplies and Services	94,745	104,814	109,203	308,762	15	27,414	336,191
Telephone	5,306	2,045	2,016	9,367	2,679	1,240	13,286
Training and Travel	2,251	2,379	4,379	9,009	2,849	1,208	13,066
Utilities	36,991	3,464	27,320	67,775	1,242	555	69,572
Vehicle Maintenance and Repair	2,387	223	7,145	9,755	80	36	9,871
TOTAL EXPENSES	<u>\$ 1,773,965</u>	<u>\$ 624,750</u>	<u>\$ 946,489</u>	<u>\$ 3,345,204</u>	<u>\$ 321,263</u>	<u>\$ 258,700</u>	<u>\$ 3,925,167</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>			<u>Supporting Services</u>			
	<u>Education</u>	<u>Preservation and Conservation</u>	<u>Land and Biodiversity</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PAYROLL AND RELATED EXPENSES							
Salaries	\$ 1,148,619	\$ 311,764	\$ 344,793	\$ 1,805,176	\$ 157,094	\$ 172,559	\$ 2,134,829
Payroll Taxes	85,667	23,252	25,716	134,635	11,717	12,870	159,222
Employee Benefits	134,922	63,896	73,889	272,707	50,521	26,490	349,718
TOTAL PAYROLL AND RELATED EXPENSES	1,369,208	398,912	444,398	2,212,518	219,332	211,919	2,643,769
EXPENSES							
Bank and Merchant Fees	37,617	-	-	37,617	-	-	37,617
Contributions and Assistance	18,520	-	-	18,520	-	-	18,520
Depreciation	189,415	17,751	132,433	339,599	4,396	2,858	346,853
Dues and Licenses	935	66	318	1,319	539	91	1,949
Facility Maintenance and Repair	50,773	4,732	37,567	93,072	1,688	761	95,521
Insurance	47,814	6,627	33,430	87,871	1,110	722	89,703
Major Trip Expenses	12,239	-	-	12,239	-	-	12,239
Marketing and Communications	7,926	9,084	-	17,010	2,075	12,442	31,527
Office Equipment	38,646	15,204	9,595	63,445	13,230	8,741	85,416
Office Supplies	3,740	220	901	4,861	21,477	3,830	30,168
Postage and Delivery	3,170	236	223	3,629	3,615	10,955	18,199
Professional Services	18,256	16,446	4,113	38,815	89,964	4,417	133,196
Rent Expense	19,200	-	-	19,200	500	-	19,700
Supplies and Services	41,790	201,780	195,282	438,852	78	87,661	526,591
Telephone	5,956	2,403	1,354	9,713	2,098	1,387	13,198
Training and Travel	8,630	13,694	12,339	34,663	6,802	2,839	44,304
Utilities	46,939	4,399	33,516	84,854	1,569	923	87,346
Vehicle Maintenance and Repair	2,223	208	7,930	10,361	74	34	10,469
TOTAL EXPENSES	<u>\$ 1,922,997</u>	<u>\$ 691,762</u>	<u>\$ 913,399</u>	<u>\$ 3,528,158</u>	<u>\$ 368,547</u>	<u>\$ 349,580</u>	<u>\$ 4,246,285</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operations	\$ 3,567,618	\$ 3,337,099
Cash Paid to Suppliers and Employees	(3,470,485)	(3,852,212)
Interest Received from Deposit Accounts	4,465	10,324
NET CASH FROM OPERATING ACTIVITIES	<u>101,598</u>	<u>(504,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Withdrawals from Investments	825,616	213,137
Purchase of Fixed Assets	(748,826)	(349,541)
NET CASH FROM INVESTING ACTIVITIES	<u>76,790</u>	<u>(136,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(9,049)	(5,649)
NET CHANGE IN CASH AND CASH EQUIVALENTS	169,339	(646,842)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>719,266</u>	<u>1,366,108</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 888,605</u>	<u>\$ 719,266</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 1,603,514</u>	<u>\$ 3,218,847</u>
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	372,307	346,853
Net Gains on Investments	(2,334,552)	(3,166,265)
Donated Property and Equipment Received	-	(65,000)
Reinvestment of Interest and Dividends, Net	(549,517)	(517,831)
Donated Investments Received	(90,536)	(106,318)
Changes in Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	20,919	(26,782)
Contributions and Grants Receivable	997,941	(203,306)
Prepaid Expenses	(7,291)	27,240
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	89,666	19,980
Deferred Revenue	(853)	(32,207)
Total Adjustments	<u>(1,501,916)</u>	<u>(3,723,636)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 101,598</u>	<u>\$ (504,789)</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets Capitalized from Capital Lease Transactions	<u>\$ -</u>	<u>\$ 22,336</u>
Acquisition of Fixed Assets with Accounts Payable	<u>\$ 29,691</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: NATURE OF ACTIVITIES

Nature of Activities - Delaware Nature Society, Inc. (Society) fosters understanding, appreciation, and enjoyment of the natural world through education, preserves ecologically significant areas, and advocates stewardship and conservation of natural resources.

The Society provides educational programs throughout the state of Delaware operating from Ashland Nature Center, Coverdale Farm, Abbott's Mill Nature Center, and the DuPont Environmental Education Center.

Preservation and conservation of natural resources are promoted through the Society's Land Trust, Watershed Stewardship Program, and advocacy efforts. The Society is the state affiliate of the National Wildlife Federation.

The Society owns or manages over 2,000 acres of land for wildlife habitat and education preserves.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Society's policy is to prepare its financial statements on the accrual basis of accounting.

Revenue Recognition - In accordance with the Financial Accounting Standards Boards Accounting Standards Codification (FASB ASC) Topic 606, *Revenue from Contracts with Customers*, the Society recognizes revenue resulting from contracts with customers when it satisfies its performance obligations by transferring control over a product or service to a customer. The following is a description of principal exchange transactions from which the Society generates revenue:

Fees, Admissions, Tuition - Fees, admissions, and tuition are recognized over time in the period the programs and related services are delivered. Unconditional amounts due from customers for services in which the Society has met its performance obligations are recorded as accounts receivable on the statements of financial position.

At times, the Society may receive fees, admissions, and tuition prior to the period in which the Society will provide the programs and related services. These payments represent contract liabilities and are recorded as deferred revenue on the statements of financial position. The Society recognizes contract liabilities as revenue in the period services are provided.

Membership Dues - Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. The Society recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued

Special Events - The Society recognizes special events revenue equal to the cost of direct benefits provided to the donor, and contribution revenue for the difference. Special event revenue equal to the cost of direct benefits provided to the donor is recognized at the time the benefit is delivered. Contribution revenue resulting from special events is recognized immediately.

Contract Revenue - The Society receives revenue from contracts with customers primarily related to project monitoring and management. The Society recognizes contract revenue over time as performance obligations are met. Unconditional amounts due from customers for services in which the Society has met its performance obligations are recorded as accounts receivable on the statements of financial position.

Other Income - Other income includes revenue derived from the sale of agricultural products and visitor center items, and trail fees. Revenue is recognized at the time the product is delivered or when the service is provided.

The following is a description of principal activities from which the Society generates revenue which fall outside the scope of FASB ASC 606:

Contributions and Grants - The Society recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

At times, the Society may receive contributions and grants that are a combination of exchange and nonexchange transactions. The Society recognizes the exchange portion of contributions and grants when the products are transferred and/or when the services are provided, and the non-exchange portion immediately.

Facility Rental Income - Facility rental income is included in other income in the statements of activities and changes in net assets and is recognized in accordance with FASB ASC 740.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - Continued

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Society considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, excluding cash held in investment accounts.

Receivables - Accounts receivable are stated at their estimated net realizable value. Receivables are considered past due on a case-by-case basis. Write-offs of receivables are made at the discretion of management.

Contributions and grants receivable (promises to give) are stated at the amount the Society expects to collect from outstanding balances discounted to net present value on an annual basis. An allowance for promises to give is provided, if necessary, based on management's judgment including such factors as prior collection history, types of contributions, and nature of the fundraising activity. As of December 31, 2020 and 2019, long-term promises to give totaled \$0 and \$82,500, respectively. Management has not recorded a discount on long-term promises to give as of December 31, 2019 since the amount is not immaterial.

Management considers receivable balances as of December 31, 2020 and 2019 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

Investments - Investments are carried at fair value. Gains and losses and investment income derived from investments are accounted for as net assets with donor restrictions and net assets without donor restrictions based on restrictions, if any, imposed by donors. Realized and unrealized gains and losses on the Society's unrestricted and donor-restricted long-term investments are reflected as increases or decreases in net assets with donor restrictions and net assets without donor restrictions, respectively.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Continued

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements. The Society's carrying values for investments are not intended to reflect the amounts to be eventually realized upon sale at some future period.

Fair Value Hierarchy - FASB ASC 820-10, *Fair Value Measurements Disclosures*, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value (NAV) Per Share (or its equivalent)*, investments carried at NAV as a practical expedient are not assigned a fair value hierarchy.

Property and Equipment - Property and equipment are stated at cost or, if donated, at the fair value on the date of donation. Assets other than land are depreciated over their estimated useful lives using the straight-line method. On sale or retirement, the asset cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is included in income.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Continued

Capital expenditures greater than \$1,000 are capitalized and recorded as increases to fixed assets and depreciated over their useful lives.

The Society receives donations of conservation easements without receiving an interest in, or possession of, the land related to the easement. These donated easements are not recognized in the financial statements by the Society.

Works of art are stated at cost, which is purchase price, if purchased, or fair value at date of donation, if acquired by gift. Works of art are not depreciated.

Donated Services - Donated services are recognized as contributions in accordance with the FASB ASC 958, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Volunteers perform a variety of tasks that assist the Society with program services and fundraising events throughout the year which are not recognized as contributions in the financial statements since the criteria for ASC 958 have not been met.

Income Taxes - The Society is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified by the Internal Revenue Service as a publicly supported charitable organization. The Society is responsible for taxes on unrelated business income in excess of \$1,000. During the years ended December 31, 2020 and 2019, the Society did not realize any unrelated business income that would be subject to tax.

The Society's policy is to expense all interest and penalties as incurred, if any. No amounts of interest or penalties were recognized by the Society during the years ended December 31, 2020 and 2019.

The federal informational returns of the Society for the years ended December 31, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - The Society expenses advertising costs as incurred. Advertising expense was \$21,393 and \$16,467 for the years ended December 31, 2020 and 2019, respectively.

Expense Allocation - The costs of providing various programs and other activities of the Society have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification - Certain amounts in the prior year's financial statements have been reclassified to conform to the presentation of the current year's financial statements. These reclassifications had no effect on previously reported changes in net assets or total net assets.

Subsequent Events - The Society's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following reflects the Society's financial assets as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the statements of financial position date.

	<u>2020</u>	<u>2019</u>
Financial Assets as of December 31		
Cash and Cash Equivalents	\$ 888,605	\$ 719,266
Accounts Receivable, Net	126,795	147,714
Contributions and Grants Receivable, Net	160,500	1,158,441
Investments - Endowment	23,279,833	20,769,552
Investments - Other	<u>358,400</u>	<u>719,692</u>
Financial Assets as of December 31	24,814,133	23,514,665
Less: Amounts Not Available to be Used Within a Year		
Donor-Restricted - For Specified Purpose	571,921	1,630,911
Donor-Restricted - Endowment in Excess of Spending Policy Allocation	14,855,396	13,556,349
Board-Designated - Endowment in Excess of Spending Policy Allocation	7,607,873	6,363,151
Uninvested Gifts to be Held in Perpetuity	<u>37,979</u>	<u>35,112</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,740,964</u>	<u>\$ 1,929,142</u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 3: AVAILABILITY AND LIQUIDITY - CONTINUED

The Society's short-term liquidity plan is to maintain readily available resources, including operating cash, to cover expenses as they are incurred. The majority of the Society's cash inflow is from services provided in carrying out its mission and are received consistently throughout the year based on the level of service provided. As a result, operating cash balances are consistently above 30 days of operating expenses. Although the Society does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

NOTE 4: LEASES

The Society leases the Ashland Nature Center property from the Mt. Cuba Corporation for \$1 per year. The lease terms include the leasing of the core and management land area beginning January 1, 2010 and terminating December 31, 2030, as well as the right to use an additional remote area for five years beginning January 1, 2010, automatically renewable for three more five-year terms. In addition, the Society has a lease with the Delaware Division of Historical & Cultural Affairs for the Abbott's Mill Nature Center for \$1 per year. The Society is responsible for maintaining the grounds, trail systems, and buildings located on the properties.

The Society entered into a ground lease with the Town of Slaughter Beach (Town) beginning August 7, 2018. Lease terms include the Society leasing the Town a portion of its owned land located in Sussex County, Delaware for use as a public park, which will contain a boardwalk into the Marvel Tract Marshlands, for a period of 99 years at a cost of \$1 per year. The Society is responsible for payment of all taxes and assessments (current and future), repair and maintenance costs, and utility charges (if any).

No amount has been set for the fair market value of the rents since there is no comparable properties on which to base the appraisal. Consequently, rent expense has not been recorded at fair market value, and the contribution income has not been recorded in the financial statements. Management does not believe that there is a material effect on the financial statements taken as a whole.

The Society leases office equipment under a capital lease expiring in August 2021. The economic substance of the lease is that the Society is financing the acquisition of the equipment through the lease and, accordingly, is recorded in the Society's assets and liabilities. As of December 31, 2020 and 2019, the equipment has been capitalized at \$33,503 and is included in property and equipment on the statements of financial position. As of December 31, 2020 and 2019, accumulated amortization on the leased equipment was \$29,037 and \$22,336, respectively. Amortization expense for the years ended December 31, 2020 and 2019 totaled \$6,701 and is included in depreciation expense in the statements of functional expenses.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 4: LEASES - CONTINUED

As of December 31, 2020, minimum future rental payments required under the above capital lease are summarized as follows:

Year Ending December 31	
2021	\$ 8,488
	8,488
Less: Amount Representing Interest	850
Present Value of Net Minimum Payments	7,638
Less: Current Maturities of Capital Lease Obligations	7,638
Long-Term Capital Lease Obligations	\$ -

NOTE 5: RETIREMENT PLAN

The Society has a defined contribution money purchase pension plan covering substantially all eligible employees. All employees who are eligible must participate in the plan. Currently, minimum contributions of 3.3% of salary are required. The Society contributed 3.3% of each participant’s salary during the years ended December 31, 2020 and 2019. The Society’s contributions to the Teachers’ Insurance and Annuity Association (TIAA) plan amounted to \$53,339 and \$66,486 during the years ended December 31, 2020 and 2019, respectively.

Contributions are forwarded semi-monthly to the TIAA and are applied to accounts maintained for each participant by TIAA.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 18,111,154	\$ 18,111,154
Construction in Progress	4,850	36,512
Office Furniture	114,226	114,226
Office Machines	235,617	217,109
Other Equipment	466,203	438,001
Buildings and Site Improvements	11,224,439	10,514,552
Vehicles	344,628	294,742
Exhibits	11,506	11,506
Other	26,530	26,530
	<u>30,539,153</u>	<u>29,764,332</u>
Less: Accumulated Depreciation	<u>6,156,933</u>	<u>5,788,322</u>
	<u><u>\$ 24,382,220</u></u>	<u><u>\$ 23,976,010</u></u>

NOTE 7: INVESTMENTS

Investments consisted of the following as of December 31:

	<u>2020</u>			
	<u>Fair Value</u>			<u>Cost</u>
	<u>Endowment</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Money Market Funds	\$ 410,535	\$ 8,083	\$ 418,618	\$ 418,618
Bond Mutual Funds	6,822,755	105,808	6,928,563	6,639,585
Domestic Equity Mutual Funds	10,672,629	159,826	10,832,455	6,493,177
International Equity Mutual Funds	5,373,914	84,683	5,458,597	4,545,311
Total Investments	<u><u>\$ 23,279,833</u></u>	<u><u>\$ 358,400</u></u>	<u><u>\$ 23,638,233</u></u>	<u><u>\$ 18,096,691</u></u>
	<u>2019</u>			
	<u>Fair Value</u>			<u>Cost</u>
	<u>Endowment</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Money Market Funds	\$ 742,626	\$ 36,099	\$ 778,725	\$ 778,725
Bond Mutual Funds	6,377,346	224,297	6,601,643	6,565,233
Domestic Equity Mutual Funds	9,095,741	301,581	9,397,322	6,446,460
International Equity Mutual Funds	4,553,839	157,715	4,711,554	4,293,194
Total Investments	<u><u>\$ 20,769,552</u></u>	<u><u>\$ 719,692</u></u>	<u><u>\$ 21,489,244</u></u>	<u><u>\$ 18,083,612</u></u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 7: INVESTMENTS - CONTINUED

All investments have been assigned a fair value hierarchy of level 1 based on the availability of quoted prices in active markets for identical assets.

Investment income is reported net of management fees in the amount of \$26,932 and \$26,229 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8: ENDOWMENT FUNDS

The Society's Endowment Fund (Fund) consists of 11 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Delaware Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Society retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Fund and (b) any accumulations to the endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The Society's mission and purpose supported by the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The Society's other resources; and,
- The investment policies of the Society.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 8: ENDOWMENT FUNDS - CONTINUED

The Fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2020 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Fund	<u>\$ 7,920,137</u>	<u>\$ 15,359,696</u>	<u>\$ 23,279,833</u>

The Fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2019 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Fund	<u>\$ 6,694,339</u>	<u>\$ 14,075,213</u>	<u>\$ 20,769,552</u>

Endowment Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Society to retain as a fund of perpetual duration.

As of December 31, 2020, deficiencies of this nature existed in two donor-restricted endowment funds, which together have an original gift value of \$2,318,870, a fair value of \$2,235,528, and deficiency of \$84,342.

As of December 31, 2019, deficiencies of this nature existed in three donor-restricted endowment funds, which together have an original gift value of \$4,395,439, a fair value of \$3,949,071 and deficiency of \$446,368.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Investment Return Objectives and Risk Parameters - The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the Board of Directors; the endowment assets are invested in a manner that is intended to maintain the level of financial support currently provided while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an average rate of return of at least 8 percent annually. Actual returns in any given year may vary from this amount.

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 8: ENDOWMENT FUNDS - CONTINUED

Strategies Employed for Achieving Objectives - To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a strategic asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objective Relates to Spending Policy - The Society has a policy of appropriating for distribution each year up to 5 percent of the endowment fund's average fair market value over the prior 20 quarters through the third quarter preceding the calendar year in which the distribution is planned, except where donor has directed otherwise. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, Net Assets - December 31, 2018	\$ 5,846,797	\$ 12,059,145	\$ 17,905,942
Investment Return	1,190,568	2,486,177	3,676,745
Appropriation of Assets for Expenditure	<u>(343,026)</u>	<u>(470,109)</u>	<u>(813,135)</u>
Endowment, Net Assets - December 31, 2019	6,694,339	14,075,213	20,769,552
Investment Return	1,110,988	1,770,749	2,881,737
Appropriation of Assets for Expenditure	(733,566)	(489,434)	(1,223,000)
Addition to Endowment	<u>848,376</u>	<u>3,168</u>	<u>851,544</u>
Endowment, Net Assets - December 31, 2020	<u>\$ 7,920,137</u>	<u>\$ 15,359,696</u>	<u>\$ 23,279,833</u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose		
Education	\$ 53,152	\$ 61,730
Preservation and Conservation	518,769	1,569,181
	<u>571,921</u>	<u>1,630,911</u>
Subject to Time Restriction in Subsequent Year	<u>77,500</u>	<u>77,500</u>
Subject to Endowment Spending Policy and Appropriation		
Original Gift Values to Support		
Education	3,222,049	3,218,881
Land and Biodiversity Management	6,400,588	6,400,588
Preservation and Conservation	2,162,996	2,162,996
	<u>11,785,633</u>	<u>11,782,465</u>
Amount Above Original Gift Values which is Expendable to Support		
Education	197,628	56,263
Land and Biodiversity Management	2,842,405	2,223,073
Preservation and Conservation	618,372	459,780
	<u>3,658,405</u>	<u>2,739,116</u>
Endowment Deficiency	<u>(84,342)</u>	<u>(446,368)</u>
Total Subject to Endowment Spending Policy and Appropriation	<u>15,359,696</u>	<u>14,075,213</u>
Not Subject to Appropriation or Expenditure		
Uninvested Gifts to be Held in Perpetuity	37,979	35,112
Land to be Held in Perpetuity	15,706,984	15,706,984
	<u>15,744,963</u>	<u>15,742,096</u>
Total Not Subject to Appropriation or Expenditure	<u>15,744,963</u>	<u>15,742,096</u>
Total Net Assets With Donor Restrictions	<u>\$ 31,754,080</u>	<u>\$ 31,525,720</u>

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 10: ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION

The Society is the beneficiary of an endowment fund held by the Delaware Community Foundation (Foundation). The endowment fund was established in 2001 with assets that were gifted to the Foundation in the name of the Society, through an agreement that states that the endowment is owned and held by the Foundation. These assets are not recorded on the Society's statements of financial position. The agreement states that future gifts will be invested and held by the Foundation, and that a portion of the invested gifts and related income will be distributed periodically to the Society at the Foundation's discretion.

The endowment fund consists of invested gifts, appreciation, and related income, net of administration and investment charges. The Society will recognize the distributions from the Foundation as revenue on the statements of activities. The value of the fund was \$22,825 and \$20,492 as of December 31, 2020 and 2019, respectively.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Society is self-insured for unemployment claims. Management has not accrued a liability for future claims due to its uncertain nature and the nominal amount of exposure.

At December 31, 2020, the Society had outstanding purchase commitments resulting from purchased software and strategic planning services. Future expected payments related to these commitments are as follows for the years ending December 31:

2021	\$ 53,146
2022	<u>27,786</u>
	<u>\$ 80,932</u>

NOTE 12: CONCENTRATIONS OF CREDIT RISK

The Society maintains its cash balances with two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time, in the normal course of business, the Society's cash balances may exceed federally insured limits. As of December 31, 2020 and 2019, uninsured cash totaled \$409,203 and \$464,285, respectively. Management believes that the risk of loss is remote.

NOTE 13: FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Based on estimates of full-time equivalency and direct costs, the Society allocates certain expenses, including payroll and

DELAWARE NATURE SOCIETY, INC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 13: FUNCTIONALIZED EXPENSES - CONTINUED

related expenses, office equipment, and telephone, between the programs and functions benefited. Based on estimates of square footage, the Society allocates certain expenses, including facility maintenance and repair, depreciation, utilities, and insurance, between the programs and functions benefited.

NOTE 14: REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue from Contracts with Customers - The following table disaggregates the Society's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2020	2019
Performance Obligations Satisfied at a Point in Time	\$ 160,401	\$ 327,804
Performance Obligations Satisfied Over Time	963,962	1,267,744

Contract Balances - Accounts receivable and contract balances from customers are as follows:

	Accounts Receivable		Contract Assets		Contract Liabilities	
	2020	2019	2020	2019	2020	2019
Beginning of Year	\$ 146,193	\$ 120,532	\$ -	\$ -	\$ 17,594	\$ 49,801
End of Year	119,557	146,193	-	-	16,741	17,594

NOTE 15: SUBSEQUENT EVENT

In response to the uncertainty created by the COVID-19 pandemic, the federal government signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. A provision of the CARES Act allowed for loans to eligible small business, including nonprofit organizations, under its Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. On April 29, 2021, the Society was approved for a Second Draw PPP loan in the amount of \$442,707. The loan incurs interest at a rate of 1% and requires 44 monthly payments of principal and interest in the amount of \$10,388.16 beginning September 29, 2022. PPP loans contain provisions to forgive all or a portion of the funds borrowed based on a calculation that considers the borrower's incurrence of eligible costs and maintaining employee and salary levels for a period of time after receipt of the loan funds. Management anticipates the Society will incur enough eligible costs to qualify for full forgiveness of the loan during the year ending December 31, 2021.